

## ECONOMIC NEWS

# The Overheated Labour Market Gets Hotter in Quebec and Continues to Sizzle in Ontario

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### HIGHLIGHTS

- ▶ Employment fell for a second month in a row in the two main provinces. In July, Ontario shed 27,400 jobs and Quebec, 4,500.
- ▶ The unemployment rate rose slightly in Ontario between June and July from 5.1% to 5.3%.
- ▶ In Quebec, the unemployment rate dipped from 4.3% in June to 4.1% in July, as the number of people looking for a job decreased.
- ▶ The increase in wages continues to accelerate in Quebec. The average hourly wage jumped from 7.5% in June to 8.1% in July, in terms of annual variation.
- ▶ Wage growth held at around 5% in Ontario, shifting from 5.2% in June to 4.9% in July.

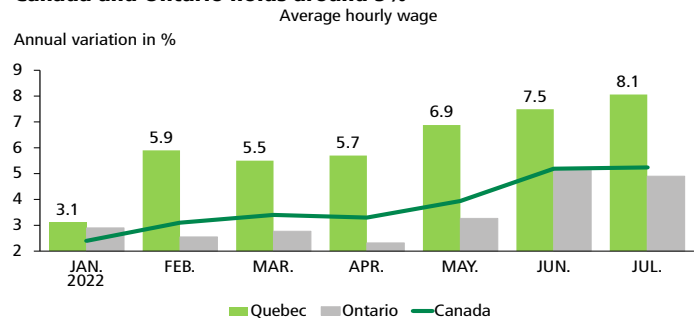
### COMMENTS

Despite the continuing decline in employment in Quebec and Ontario, the labour market is still extremely tight in both provinces. The shortage of available workers likely explains in part the difficulty of maintaining growth in the total number of jobs. The unemployment rate in Quebec, which was 4.1% in July, is close to its all-time low of 3.9% recorded in April 2022. In spite of the slight increase last month, Ontario's unemployment rate is still around 5%, which is very low.

As evidenced by the faster wage growth in Quebec, the labour market is overheating more than in Ontario. The sharp rise in inflation and the high expectations for the coming months, on top of the labour shortage, explain the surge of wages. Labour costs are therefore increasing even more rapidly for businesses,

### GRAPH

**Wage acceleration continues in Quebec, as the rise in wages in Canada and Ontario holds around 5%**



Sources: Statistics Canada and Desjardins, Economic Studies

which must also contend with the widespread rise in prices. Will businesses have the capacity to stay the course on growth?

### IMPLICATIONS

Seemingly subdued job creation and strong wage growth raise some concern about things to come. Fears of a sharp economic downturn heighten, which could take some pressure off the labour market. The unemployment rate is still low for now, but near-full employment is expected to return in the coming quarters.